PAGE No.
DATE / /

BF Assignment - 2

Q1) D. II and IV

Q2) C. an adverse opinion.

Q3) C. chairman's report.

Q4) A. II only.

Q5)

a) ~~Accr~~ Accrual concept ~~i~~ states that the item ~~i~~ must be recorded when earned or incurred not when paid or recieved.

Realisation concept states the income and expenses should be recorded when recieved and paid not when earned or incurred.

b) In Accrual concept,
The health insurance company will record on date of selling of the policy.
In realisation concept,
The health insurance company will record the transaction when premium is recieved.

Q.7)
i) Gross Profit : No effect
Cash flow : Increase

ii) Gross Profit : No effect
Cash flow : Decrease

iii) Gross Profit : Decrease
Cashflow : Decrease

iv) Gross Profit : Decrease
Cashflow : No effect (Increase)

v) Gross Profit : No effect
Cashflow : Decrease

Q.6 Different ways through which accounts can be manipulated, are

→ Depriciation
- By charging more depriciation company can reduce taxable income.

→ Historical cost.
- The land is recorded on the original cost but it's actual value is alot in real terms.

PAGE No.
DATE / /

Q3)
i) The main roles of regulation in financial system are:

→ Market confidence - to maintain confidence in the financial system

→ Financial Stability
→ Consumer protection

ii) The regulatory bodies are:-
→ SEBI
→ RBI
→ IRDAI
→ PRDA
→ CCI

iii)

a) Banks - RBI
b) Superannuation Products - PRDA
c) General Insurance companies - IRDAI
d) Stock brokers - SEBI
e) Mutual funds - SEBI
f) Market for listed securities - SEBI
g) Foreign exchange dealers - RBI
h) Money changers. - RBI

Q9)

i) The cost concept

→ In cost concept, the non current assets ~~are~~ always appear in statement of financial ~~statement~~ position at their original cost less depreciation to date.

Going concern concept

→ It is a assumption that the business ~~is~~ will continue indefinitely in its present form.

ii) The board of directors can select the effect which is somewhat similar to the transaction ~~to~~ that has been occured and mention a note stating no accurate accounting ~~policy~~ standard covers this transaction so this is our assumption.

iii) This may not be true as the concept of prudence state that there should everything recorded at market price or cost price which ever is lower.

Q10

a) Investment Bank

→ They are the financial institution that carry out the investment activities like mutual funds, hedge funds, etc.

→ They get funds from their clients who have asked them to manage their money.

b) Pension Scheme

→ They give annuity to the retired persons

→ They get money in form of a lumpsum or monthly premium which is recieved till the retirement of person

→ They then invest the premium amounts in order to give annuity to them.

c) Life Insurance Company.

→ They protect the risk of family member of insured by giving them claims when insured dies.

→ They get premiums from the insured.

→ They invest the premium recieved in order to give claims.

Q11) Limitation in interpretation of accounts of these companies are :-

→ Subjectivity :- Both of them are regulated by different regulators so, they may have difference in approach of making accounts.

→ Comparison :- One is a general insurance company and other is life insurance company so they are incomparable

Q12)

i) The preparation of insurance company accounts is complicated by two special features :

→ The underlying contracts fall due outside the accounting period and are uncertain in size.

→ Premature transfer of profit to shareholders may endanger the financial stability of the company and the ability to meet future liabilities.

PAGE No.
DATE / /

(ii) The major component of reserves for a general Insurance company's technical account are:-

- Shareholders' funds
- ~~long term~~ General insurance provision
- unexpired risk reserves
- Outstanding claims.

Q13)

i) Four advantages of ~~IAS~~ compliance with the International Accounting Standards are:-

→ ~~Clear~~ Clarity
→ Usefulness.
→ Reliability.
→ Assist Auditors.

~~ii~~ Four disadvantages of Compliance with International Accounting Standards are:-

→ Set of rules in the standards may not be appropriate to all the companies.
→ Some standards are so general as to be meanings, while others too detailed.
→ Standards often allow more than one alternative treatment, which negates the attempt to ensure conformity b/w companies.

(ii) The various source of regulations that influence the preparation of financial statements for companies in addition to the accounting standards are :-

→ IRDAI
→ RBI
→ SEBI
→ PFRDA

(iii) The additional information that cashflow statements provide which is not available in the statement of Financial Position and Statement of Comprehensive Income is that it provides the information about how much cash company is actually earning.

PAGE No.
DATE / /

Income Statement for year ended 31st March, 2019

Particulars	W.N	₹
Revenue		1,500,000
less: Cost of Sales	5	(678,000)
Gross Profit		822,000
less: Admin Expense	1	(3,000)
less: Distribution Expense.	2	(2,35,000)
Operating Profit		584000
less: Finance costs	6	(10000)
Profit before tax		574000

Statement of Changes in Equity.

	Share capital	Retained Earning	Revaluation Reserve
Opening balance	200000	250000	180000
Profit		574000	
Dividend		(45,000)	
Revaluation			540000
	200000	779000	720000

Statement of Financial Position as on 31st March 2019

	W.N	
Assets		
Non-Current Assets	4	1672000 ~~329000~~
Current Assets	8	210000
		1912000
Equity & Liabilities		
Equity		
Share Capital		200000
Retained Earnings		779000
Revaluation		720000
Non Current Liability	7	145000
Current Liability	3	68000
		1912000

Working Notes

1) Admin Exp :-

Administrative staff wages : 3000

2) Distribution Exp :

Cost of Marketing : ~~55000~~	55,000
Delivery vehicle running costs :	60,000
Sales Salaries :	120,000
	235,000

3) Current Liablity

Bank overdraft : 18000

Trade Payable : 50000

4) ~~Q~~ Non Current Assets

	Land	Buildings	Vehicles	Machinery
Opening balance	600,000	400000	325000	150000
Depreciation		(40,000)	(170,000)	(80,000)
Depreciation		(7,000)	(31,000)	(15,000)
Revaluation	200,000	240,000		
	800000	593000	124000	55000

Total :- ~~[illegible]~~
1572000

5) Cost of Sales

Cost of Inventory consumed : 350,000
Factory running costs : 100,000
~~Closing Stock~~ : ~~30,000~~
Manufacturing wages : 175,000
Depreciation : 53,000
678000

6) Financial Exp
Interest : 10,000

7) Non-Current Liability

Loan : 145000

7 Non Current liability

Loan : 145000

8 Current Assets

Trade Receivables : 210000